

CODE OF ETHICS FOR DIRECTORS, OFFICERS AND EMPLOYEES  
ARANSAS PASS MUNICIPAL DEVELOPMENT DISTRICT

Section 1.        PURPOSE

The proper operation of the ARANSAS PASS MUNICIPAL DEVELOPMENT DISTRICT ("District") requires that board members, officers, employees and committee members involved in handling the District's business be independent, impartial and responsible to the people; that District decisions and policy be made at the proper level of the government structure; that public office not be used for personal gain; and that the public have confidence in the integrity of the District. In keeping with this purpose, the policy together with Definitions, Disclosure of Interest requirements and Standards of Conduct is hereby adopted for all District officials and employees. The purpose of this Policy is to establish guidelines for ethical conduct by all Board members, officers, employees and committee members by setting forth those acts or actions which are incompatible with the best interest of the District and by requiring disclosure by Board members, officers and employees of private financial and other interest in matters affecting the District.

Section 2.        DEFINITIONS

- (A) Substantial Interest means a direct or indirect pecuniary or material benefit accruing to a Board member, officer or employee, (or any persons related to them by blood or marriage in the second degree or closer of consanguinity or affinity), as a result of a contract or transaction which is or may be the subject of an official act or action by or with the District. For the purposes of these Standards, a Board member, officer or employee shall be deemed to have a substantial interest in any business entity or real property if:
  - (1) The interest is ownership of ten percent (10%) or more of the voting stock or shares of the business entity; or ownership of \$32,500 or more of the fair market value of the business entity or real property; or
  - (2) Funds received by a Board member, officer or employee from the business entity exceed ten percent (10%) of the Board members, officer's or employee's gross income for the previous year.
- (B) Official act or action means any legislative, administrative appointive or discretionary act of any Board member, officer or employee of the District or any committee thereof.
- (C) Business entity means any business, proprietorship, firm, partnership, person in representative or fiduciary capacity, association, venture, trust, corporation or any other entity recognized in law.
- (D) Board member, officer, employee or committee member means any person, officer or employee holding a position by appointment or employment in the service of the District, whether paid or unpaid, including members of any committee thereof.
- (E) Immediate family means any person to whom the Board member, officer or employee is related by blood or marriage in the first degree of consanguinity or affinity.

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Section 3.        POLICY

It shall be the policy of the District that all Board members, officers, employees or committee members conduct the District's business in conformity with sound business and ethical practices.

Section 4.        DISCLOSURE OF INTEREST IN ACTIONS CONSIDERED BY THE MEMBERS OF THE BOARD OF DIRECTORS.

- (A) Any member of the Board of Directors who has a substantial interest in any proposed action before the Board of Directors shall disclose for the record of the Board of Directors the nature and extent of such interest and shall abstain from further participation in the matter.
- (B) Any other official, employee or committee member who has a substantial interest in any proposed action of the Board of Directors and who participates in discussion with or gives an official opinion or recommendation to the Board of Directors regarding such action shall disclose for the record of the Board of Directors the nature and extent of any such substantial interest.

Section 5.        STANDARDS OF CONDUCT

- (A) The requirements herein set forth shall constitute standards of ethical conduct for Board members, officers and employees of the District.
- (B) Interest in contract or transaction. No Board member, officer or employee having the power or duty to perform an official act or action related to a contract or transaction which is or may be the subject of an official act or action of the District shall:
  - (1) have or thereafter acquire a substantial interest in such contract or transaction; or
  - (2) have a substantial interest in any business entity involved in such contract or transaction; or
  - (3) have solicited or accepted present or future employment with a person or business entity involved in such contract or transaction; or
  - (4) have solicited, accepted or granted a present or future gift, favor, services or thing of value from or to a person involved in such contract or transaction.
- (C) Board members, officers or employees shall not accept gifts, entertainment or other gratuities of more than nominal value from any person having business dealings with the District under circumstances that may involve the appearance of a purpose to influence their conduct as Board members, officers or employees. This subsection shall not prohibit acceptance of meals, awards presented in recognition of public service or other non-pecuniary recognition in the performance of their duties.
- (D) No Board member, officer or employee of the District shall knowingly participate in any transaction or decision of the District involving any business entity or property in which such Board member, officer or employee has substantial interest in the business entity or property involved or will be affected by the transaction or decision involved.

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- (E) In the event of occurrence or potential occurrence of any transaction or decision in subsection (D), above, the Board member, officer or employee shall disclose the substantial interest by written notice to the Secretary (or if the Secretary be the employee with the interest, by written notice of the President) and cease further participation in all decisions relating to such transaction or decision.
- (F) Board members, officers or employees shall not use for personal gain or disclose to outside parties any information obtained or rising out of the business of the District.
- (G) Board members, officers or employees of the District shall not accept employment that would create a conflict of interest, cause them to release confidential information or impair independence with respect to the District.
- (H) Board members and officers should conduct themselves in a manner which will benefit the District and should avoid issues and actions that appear questionable or would bring discredit to the District.
- (I) Employees should conduct themselves in a manner which will benefit the District and should avoid issues and actions that appear questionable or would bring discredit to the District. If a questionable situation arises, the employee should contact the President to discuss the matter. When such a decision is not possible, the employee should rely on his own judgement and discuss the situation with the President as quickly as possible. However, the discussion with the President, after the fact, does not relieve the employee of responsibility for action taken.
- (J) The facilities, personnel, equipment and supplies of the District shall not be used by any Board member, officer or employee for personal reason or for personal gain.
- (K) In no case will a Board member, officer or employee solicit gifts, entertainment or other forms of compensation which comprises or appears to compromise one's position in carrying out official duties, it is recognized that the acceptance or exchange of gifts or entertainment is a normal social practice under certain circumstances. Business ethics, common sense and the responsibility of public trust form the general basis upon which Board members, officers and employees can accept/exchange gifts or entertainment. When accepting gifts or entertainment the overriding considerations are that one must not be compromised in the performance of official duties nor provide the perception that one can be influenced by the acceptance of gifts or entertainment.

Consequently, the acceptance or exchange of gifts or entertainment must;

- (1) Conform to the norms of what is customary and proper for that circumstance/situation and not be considered extravagant or excessive.
- (2) Not require the provider of the gift or entertainment to expend any special or added effort.
- (3) Not involve any cash payment, gift certificates or credit arrangements.

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(4) Not involve materials, services, repairs or improvements at no cost or reasonably low prices.

(5) Not be frequent.

If any form of compensation is offered to a Board member or officer it shall be reported to the members of the Board.

(L) District funds shall not be used to reimburse Board members, officers or employees for expenditures that are not for the District official business.

ADOPTED EFFECTIVE the \_\_\_\_\_ Day of \_\_\_\_\_, 2008.

Secretary \_\_\_\_\_